

**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Report of the Banking Committee  
**Date:** November 3, 2003

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**Recommended Actions:**

Sale and Award of  
SUI Bonds

1. Adopt the following:

A Resolution providing for the sale and award of \$14,060,000 Telecommunications Facilities Revenue Bonds, Series S.U.I. 2003, and approving and authorizing the agreement of such sale and award.

A Resolution authorizing and providing for the issuance and securing the payment of \$14,060,000 Telecommunications Facilities Revenue Bonds, Series S.U.I. 2003, for the purpose of refunding outstanding Telecommunications Facilities Revenue Bonds, Series S.U.I. 1995, and defraying the costs of equipping telecommunications facilities for The State University of Iowa, paying the costs of issuance, and funding a reserve fund.

**(ROLL CALL VOTE)**

Sale and Award of  
ISU Bonds

2. Adopt the following:

A Resolution providing for the sale and award of \$13,280,000 Utility System Revenue Bonds, Series I.S.U. 2003, and approving and authorizing the agreement of such sale and award.

A Resolution authorizing and providing for the issuance of \$13,280,000 Utility System Revenue Bonds, Series I.S.U. 2003, and approving the Fourth Supplemental Indenture securing the payment thereof.

**(ROLL CALL VOTE)**

Bond Schedule

3. Approve the schedule for the issuance of bonds for calendar year 2004.
4. Accept the remainder of the report of the Banking Committee.
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**Executive Summary:**

Approvals            The Banking Committee materials have been furnished to all Board members. During its meeting on November 11, 2003, the Banking Committee is scheduled to consider approval of:

- The minutes from the October 2003 Banking Committee meeting
- Resolutions for the Sale and Award of Telecommunications Facilities Revenue Bonds, Series SUI 2003
- Resolutions for the Sale and Award of Utility System Revenue Bonds, Series ISU 2003
- Financing for UNI Proposed Event Complex
- Bond Issuance Calendar – Calendar Year 2004

Reports                The Banking Committee is scheduled to receive reports on:

- External Audit Reports – Revenue Bond Funds
- Internal Audit Reports

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**Background and Analysis:**

Minutes                The minutes of the October 2003 Banking Committee meeting will be sent at a later date.

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Sale of SUI Bonds    The sum of \$14,060,000 Telecommunications Facilities Revenue Bonds, would be sold to refund the outstanding principal of the 1995 Telecommunications Facilities Revenue Bonds, and to finance the purchase of telephone switching equipment.

The refunding of the outstanding bonds can be combined with the issuance of new bonds to finance the purchase of the telephone switching equipment, thereby reducing interest costs for the previously borrowed and new funds.

The debt service for the refunding component of the sale is estimated to be \$1.3 million annually through July 1, 2011 (same as the last maturity for the refunded bonds) and the debt service for the switching component is estimated at \$555,000 annually through July 1, 2013.

Debt service payments would be paid from Telecommunications System charges and the proceeds of any Telecommunications System Student Fees which the Board may establish in the future.

It is anticipated that the refunding will result in future and present value savings of \$470,000 and \$446,000 respectively.

Using the bond issue to finance the purchase of the telephone switching equipment is anticipated to save the University \$185,000 in future dollars compared to the use of the Board's master lease to finance the purchase.

Interest on the bonds would be exempt from federal and state taxes (double tax-exempt) for individuals who are Iowa residents and purchase the bonds.

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Sale of ISU Bonds      The sum of \$13,280,000 Utility System Revenue Bonds would be sold to finance the Power Plant Turbine Generator #6 project.

The Board, at its January 2003 meeting, approved the project description and total budget (\$12,000,000) for the project, which will increase the electrical generating capacity of the University's power plant to serve all of the campus electrical needs.

Principal on the bonds would be repaid over a period of 20 years, with debt service of approximately \$1,020,000 annually to be paid from utility system charges and the proceeds of any utility system student fees which the Board may establish in the future.

The University's Utility System is a self-supporting operation.

Interest on the bonds would be exempt from federal and state taxes (double tax-exempt) for individuals who are Iowa residents and purchase the bonds.

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UNI Event Complex      B.C. 4 will be sent at a later date. It is anticipated that the Banking  
Financing                      Committee will make recommendations to the Board.

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Bond Issuance              Annually, the Board establishes a bond issuance schedule for the  
Calendar                      following calendar year. The Board approved the calendar year 2003  
    schedule at its November 2002 meeting.

Proposed                      The proposed schedule for calendar year 2004 is only a planning guide.  
Schedule                      It does not include any bonds that would require legislative authorization  
    nor does it specifically include refundings which may be possible should  
    low interest rates continue.

Approval of the schedule does not indicate that the Board Office has reviewed or recommended approval of all projects to be financed from the proposed sales or that the Board will approve the projects and the bond sale amounts.

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Revenue Bond  
Fund Audits- SUI

Revenue Bond Fund audit reports are presented to the Banking Committee as required by Board policy.

The identified revenue bond fund audit reports of the University of Iowa for the year ended June 30, 2003, indicate that the financial statements of each of the revenue bond funds were presented fairly in all material respects.

No findings were reported regarding financial or compliance issues with the revenue bond resolutions.

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Revenue Bond  
Fund Audits - UNI

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Internal Audit  
Reports

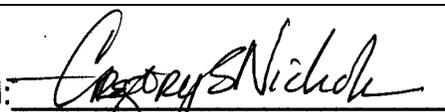
Completed institutional internal audit reports are presented to the Banking Committee, as required by Board policy. The Board Office monitors the progress of the institutions' follow-up on these reports. When corrective action has been satisfactorily completed, the audits are closed.

Twelve new audit reports are presented this month: eight from the University of Iowa, two from Iowa State University, and two from the University of Northern Iowa. Nine follow-up reports are presented: four from the University of Iowa – University Operations, four from the University of Iowa – Hospital Operations, and one from the University of Northern Iowa; all are closed except the UNI audit.

The Status of Internal Audit Follow-Up identifies 18 internal audit reports, 10 of which require follow-up.

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Jean A. Friedrich

Approved:   
Gregory S. Nichols